



County of Los Angeles  
**CHIEF EXECUTIVE OFFICE**

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA  
Chief Executive Officer

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

October 11, 2011

29 October 11, 2011

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

Dear Supervisors:

**DEPARTMENT OF PUBLIC WORKS:  
MARTIN LUTHER KING, JR. MEDICAL CENTER  
INPATIENT TOWER RENOVATION PROJECT  
APPROVE REVISED BUDGET AND MEDICAL EQUIPMENT ACQUISITION  
SPECS. 7055; CAPITAL PROJECT NO. 88945  
(SECOND DISTRICT) (4 VOTES)**

**SUBJECT**

The recommended actions will approve the equipment plan and revised Project budget for the Martin Luther King, Jr. Medical Center Inpatient Tower Renovation Project, and allow the Department of Public Works to execute a construction change order with Hensel Phelps Construction Company to furnish and install fixed medical equipment.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve the equipment plan for the Martin Luther King, Jr. Medical Center Inpatient Tower Renovation Project.
2. Approve the revised Project budget of \$237,430,000 for the Martin Luther King, Jr. Medical Center Inpatient Tower Renovation Project.
3. Approve and authorize the Director of Public Works to execute a change order with Hensel Phelps Construction Company in the not-to-exceed amount of \$8,750,000 to furnish and install fixed medical equipment for the Martin Luther King, Jr. Medical Center Inpatient Tower Renovation Project.

*"To Enrich Lives Through Effective And Caring Service"*

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Intra-County Correspondence Sent Electronically Only***

## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Approval of the recommended actions will approve the equipment plan and increase the Project budget for the Martin Luther King, Jr. Medical Center (MLK) Inpatient Tower Renovation (IPT) Project by \$8,750,000, from \$228,680,000 to a revised total amount of \$237,430,000 as identified in the Attachment. Approval will also authorize the Department of Public Works (Public Works) to execute a change order with Hensel Phelps Construction Company (Hensel Phelps) to furnish and install fixed medical equipment for a not-to-exceed amount of \$8,750,000.

### **Background**

On August 18, 2009, your Board established Capital Project No. 88945 and approved the Project budget for the MLK IPT Project. On November 3, 2009, your Board authorized Public Works to proceed with the design of the Project. On April 19, 2011, your Board awarded a design-build agreement to Hensel Phelps for the MLK IPT Project.

### **Equipment Plan**

The total cost for medical equipment, fixtures, and furniture is estimated to be \$49,650,000. Of this amount, the MLK Hospital Board (Hospital Board) and the future operator are responsible for \$37,050,000, which includes the smaller moveable equipment (does not attach directly to the building structure or require dedicated utility services), computers and network system, kitchen small wares, hospital beds, desks, and chairs, etc. This equipment will be purchased through the use of a portion of the one-time, start-up funds of \$50.0 million provided by the County to the Hospital Board.

The remaining medical equipment, totaling \$12,600,000, will be purchased by the County as part of the Project budget. Of this amount, \$3,850,000 is already included in Hensel Phelps' original agreement and Board approved Project budget. This includes headwall units, fume hoods, and food services equipment. The remaining \$8,750,000, includes the large fixed equipment that is physically attached to the building, such as sterilizers, instrument washers, surgical lights, and imaging equipment. These items were not previously included in the Hensel Phelps agreement or the Project budget.

### Proposed Project Budget Revision

The Project budget approved on August 18, 2009, did not include costs for the purchase and installation of medical equipment for the Project, as the equipment list and plan were still under development. The equipment list has since been finalized and maintaining the Project schedule, requires the purchase of this equipment to begin soon.

The procurement and installation of the equipment must also be integrated into the design of the building. Approval by the Office of Statewide Health Planning and Development, as well as other regulatory agencies, is required prior to the completion and licensing of the hospital.

It is recommended that your Board approve a revised Project budget of \$237,430,000 to include the County's costs associated with the procurement and installation of fixed medical equipment for the Project.

### Hensel Phelps' Change Order

As part of this action, we are recommending that your Board approve a change order in the not-to-exceed amount of \$8,750,000 to the design-build agreement with Hensel Phelps for the MLK IPT Project. The change order will allow Hensel Phelps to coordinate fixed medical equipment with the design of the building, furnish and install the fixed medical equipment, and install any necessary utilities and/or structural connections for this equipment to the building. These activities will be completed during construction of the building allowing Hensel Phelps to complete their work without interruption and obtain certificates of occupancy from appropriate regulatory agencies.

The equipment that is part of this change order includes surgical lights, sterilizers, instrument washers, and the following imaging equipment: two general radiology units, one fluoroscopy unit, and a computed tomography (CT) scanner.

Under delegated authority and Chief Executive Office (CEO) approval, Public Works issued a proceed order for \$25,000 to Hensel Phelps to develop solicitation specifications required to obtain bid proposals for the fixed medical equipment. This was done in an effort to ensure that there is no delay in the progress of the design-build process. Hensel Phelps has issued the solicitation packages. Should your Board elect not to approve this change order to the Hensel Phelps agreement, the Internal Services Department can procure the equipment, use the solicitation specifications to rebid the vendors, and have the selected vendors furnish and install the fixed medical equipment.

### **Green Building/Sustainable Design Program**

The MLK IPT Project will support your Board's policy for Green Building/Sustainable Design Program. The new Ancillary Building will include sustainable design features for certification at a Silver or higher level under the United States Green Building Council Leadership in Energy and Environmental Design for new building construction, including but not limited to, water and energy conservation features, addressing water run-off, enhancing indoor environmental quality by using low-gas emitting building materials, and providing daylight through much of the building.

### **Implementation of Strategic Plan Goals**

The Countywide Strategic Plan directs the provision of Operational Effectiveness (Goal 1); Children, Family, and Adult Well-Being (Goal 2); Community and Municipal Services (Goal 3); and Health and Mental Health (Goal 4), by investing in public health infrastructure to enhance the safety of patients and staff, and by increasing job opportunities for high risk youth, adults, and low to moderate income residents. Construction of the Project will provide much needed improvements to the facility and meet the strategic goals for the residents of the County.

### **FISCAL IMPACT/FINANCING**

The equipment budget is \$49,650,000, of which \$37,050,000 will be funded by the Hospital Board and \$12,600,000 will be funded by the County. As mentioned, of this amount \$3,850,000 is included in the current project budget for the County related costs. Equipment purchased by the County through the Project budget will be financed through a combination of short- and medium-term (5 through 10 years) bonds.

Approval of this action will increase the Project budget, by \$8,750,000, from \$228,680,000 to \$237,430,000. As previously approved by your Board, the Project is currently funded through the issuance of tax-exempt commercial paper, but will ultimately be financed with proceeds from the issuance of long-term, tax exempt bonds. The MLK IPT Project Schedule and Budget Summaries are included in the Attachment.

It is anticipated that debt service payments on the bonds will ultimately be funded by the future hospital operator pursuant to the site and operating lease that is currently under development. The CEO and Treasurer and Tax Collector will return to your Board with final financing recommendations prior to the issuance of the bonds. The CEO will return to your Board for approval of the final site and operating lease.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Section 20137 of the Public Contract Code allows your Board, with a four-fifths vote, to authorize a change order to a construction agreement that is less than 10 percent of the original agreement amount without having to obtain bids for the work. The recommended change order in the not-to-exceed amount of \$8,750,000 represents 5.3 percent of the original agreement amount.

As requested by your Board on August 12, 1997, and as a threshold requirement for consideration for award of agreements, the solicitations will require vendors to attest their willingness to consider Greater Avenues for Independence and General Relief Opportunities for Work programs (GAIN/GROW), Board Policy No. 5.050. In addition, vendors must be in full compliance with Los Angeles County, Code Chapter 2.200 (Child Support Compliance Program), Chapter 2.203 (Contractor Employee Jury Service Program), and Safely Surrendered Baby Law.

### **ENVIRONMENTAL DOCUMENTATION**

On August 18, 2009, your Board established the MLK IPT and Multi-Service Ambulatory Care Center Projects and found the MLK IPT Project was categorically exempt from California Environmental Quality Act (CEQA). On October 19, 2010, your Board authorized the addition of the Ancillary Building to the IPT Project scope and determined that the building was categorically exempt under CEQA Guidelines. The recommended actions are within the scope of the previously approved categorical exemption.

Upon your Board's approval of the recommended actions, Public Works will file a Notice of Determination with the Registrar-Recorder/County Clerk in accordance with Section 15062 of the State CEQA Guidelines.

### **CONTRACTING PROCESS**

On April 19, 2011, your Board awarded a design-build agreement to Hensel Phelps for the MLK IPT Project.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

There will be no impact on current County services or projects resulting from approval of the recommended actions. Patient care services in the existing Multi-Service Ambulatory Care Center and the Hawkins Building will continue without interruption during construction.

The Honorable Board of Supervisors  
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**CONCLUSION**

Please return an adopted copy of this Board letter to the Chief Executive Office, Capital Projects Division; the Department of Health Services; Internal Services Department; and the Department of Public Works, Project Management Division I.

Respectfully submitted,



WILLIAM T FUJIOKA  
Chief Executive Officer

WTF:RLR:DJT  
SW:TF:mc

Attachment

c: Executive Office, Board of Supervisors  
County Counsel  
Health Services  
Internal Services  
Public Works

October 11, 2011

**ATTACHMENT**

**DEPARTMENT OF PUBLIC WORKS:  
MARTIN LUTHER KING, JR. MEDICAL CENTER  
INPATIENT TOWER RENOVATION PROJECT  
APPROVE REVISED BUDGET AND MEDICAL EQUIPMENT ACQUISITION  
SPECS. 7055; CAPITAL PROJECT NO. 88945**

**I. PROJECT BUDGET SUMMARY**

| <b>Project Activity</b>                             | <b>Board-Approved<br/>Completion Date</b> |
|---|---|
| <b>C.P. 88945</b>                                   |   |
| <b>MAKE-READY</b>                                   |   |
| Programming   | 09/18/2009*                               |
| Design  | 04/29/2010*                               |
| Jurisdictional Agency Approval                      | 07/27/2010*                               |
| Construction Bid and Award (Job Order Contract)     | 08/19/2010*                               |
| Construction  |   |
| Substantial Completion                              | 11/01/2011                                |
| Acceptance  | 12/01/2011                                |
| <b>INPATIENT TOWER RENOVATION AND SUPPORT SPACE</b> |   |
| Programming   | 09/18/2009*                               |
| Design  | 03/31/2011*                               |
| Jurisdictional Agency Approval                      | 06/31/2011*                               |
| Award Design-build                                  | 04/19/2011*                               |
| Construction  |   |
| Substantial Completion                              | 03/15/2013                                |
| Acceptance  | 08/30/2013                                |
| Building Occupancy                                  | 09/15/2013                                |

\* Indicates actual date.

**II. PROJECT BUDGET SUMMARY MLK IPT RENOVATION PROJECT AND MAKE-READY (C.P. 88945)**

| <b>Budget Category</b>                     | <b>Previously<br/>Approved<br/>Budget</b> | <b>Impact of this<br/>Action</b> | <b>Current<br/>Project<br/>Budget</b> |
|--|---|----------------------------------|---------------------------------------|
| Land Acquisition                           | \$ 0                                      | \$ 0                             | \$ 0                                  |
| Construction                               |   |                                  |                                       |
| Design-Build Agreement                     | \$139,934,000                             | \$ 8,750,000                     | \$148,684,000                         |
| Job Order Contract                         | 22,855,000                                | 0                                | 22,855,000                            |
| Change Orders Contingency                  | 19,875,000                                | 0                                | 19,875,000                            |
| Proposer Stipends                          | 400,000                                   | 0                                | 400,000                               |
| Construction Consultants                   | 0   | 0                                | 0                                     |
| Telecomm Equipment - Affixed to Building   | 0   | 0                                | 0                                     |
| Medical Equipment                          | 0   | 0                                | 0                                     |
| Subtotal                                   | \$183,064,000                             | \$ 8,750,000                     | \$191,814,000                         |
| Programming/Development                    | \$ 0                                      | \$ 0                             | \$ 0                                  |
| Plans and Specifications                   |   |                                  |                                       |
| Architect/Engineer Fee                     | \$ 15,628,000                             | \$ 0                             | \$ 15,628,000                         |
| Design Contingency                         | \$ 2,900,000                              | 0                                | 2,900,000                             |
| Subtotal                                   | \$ 18,528,000                             | \$ 0                             | \$ 18,528,000                         |
| Consultant Services                        |   |                                  |                                       |
| Site Planning                              | \$ 0                                      | \$ 0                             | \$ 0                                  |
| Hazardous Materials                        | 256,000                                   | 0                                | 256,000                               |
| Geotech/Soils Report and Soils Testing     | 351,000                                   | 0                                | 351,000                               |
| Material Testing                           | 1,015,000                                 | 0                                | 1,015,000                             |
| Consultant Peer Review Services            | 425,000                                   | 0                                | 425,000                               |
| Inspection Services                        | 2,150,000                                 | 0                                | 2,150,000                             |
| Topographic Surveys                        | 0   | 0                                | 0                                     |
| Construction Management                    | 6,240,000                                 | 0                                | 6,240,000                             |
| Document and Project Controls              | 3,205,000                                 | 0                                | 3,205,000                             |
| Labor/Outreach/Local Worker Hiring Program | 535,000                                   | 0                                | 535,000                               |
| Move Management (Move Manager Only)        | 0   | 0                                | 0                                     |
| Equipment Procurement                      | 0   | 0                                | 0                                     |
| Consultant Contingency                     | 878,000                                   | 0                                | 878,000                               |
| Subtotal                                   | \$ 15,055,000                             | \$ 0                             | \$ 15,055,000                         |
| Miscellaneous Expenditures                 | \$ 1,000,000                              | \$ 0                             | \$ 1,000,000                          |
| Jurisdictional Review/Plan Check/Permit    | \$ 3,364,000                              | \$ 0                             | \$ 3,364,000                          |
| County Services                            |   |                                  |                                       |
| Code Compliance Inspection                 | \$ 450,000                                | \$ 0                             | \$ 450,000                            |
| Quality Control Inspection                 | 0   | 0                                | 0                                     |
| Design Review                              | 15,000                                    | 0                                | 15,000                                |
| Design Services                            | 0   | 0                                | 0                                     |
| Contract Administration                    | 500,000                                   | 0                                | 500,000                               |
| Project Management                         | 240,000                                   | 0                                | 240,000                               |
| Project Management Support Services        | 5,346,000                                 | 0                                | 5,346,000                             |
| ISD Equipment Procurement                  | 0   | 0                                | 0                                     |
| DPW Job Order Contract Management          | 421,000                                   | 0                                | 421,000                               |
| ID ITS Communications                      | 175,000                                   | 0                                | 175,000                               |
| Project Technical Support                  | 52,000                                    | 0                                | 52,000                                |
| Office of Affirmative Action               | 215,000                                   | 0                                | 215,000                               |
| County Counsel                             | 0   | 0                                | 0                                     |
| Other - Contract Management - LWHP         | 0   | 0                                | 0                                     |
| Other                                      | 255,000                                   | 0                                | 255,000                               |
| Subtotal                                   | \$ 7,669,000                              | \$ 0                             | \$ 7,669,000                          |
| <b>TOTAL</b>                               | <b>\$228,680,000</b>                      | <b>\$ 8,750,000</b>              | <b>\$ 237,430,000</b>                 |